



New Health Insurance
Tax Credits in New Jersey

**Help Is at Hand:
New Health Insurance Tax Credits in New Jersey**

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Starting in 2014, the Affordable Care Act will extend health coverage to millions of Americans. This will be done, in part, by offering tax credits to help low- and middle-income Americans afford private coverage. These new tax credits, which will offset a portion of the cost of health insurance premiums, will soon become a reality, allowing many previously uninsured New Jerseyans to purchase quality health coverage.

This report takes a closer look at these premium tax credits in New Jersey, which will help New Jerseyans with incomes up to four times the federal poverty level (\$94,200 for a family of four in 2013)¹ afford coverage. The unique structure of the tax credits means that people will be protected from having to spend more than a set percentage of their income on health insurance premiums. These premium tax credits will take effect in January 2014, following open enrollment that begins in October 2013.

Families USA commissioned The Lewin Group to use its widely respected Health Benefits Simulation Model to estimate how many people in New Jersey and across the country could benefit from the new premium tax credits in 2014. We found that an estimated 610,000 New Jerseyans will be eligible for the tax credits in 2014.

Most of the people who will be eligible for the tax credits will be in working families and will have incomes between two and four times poverty (between \$47,100 and \$94,200 for a family of four based on 2013 poverty guidelines). However, because the size of the tax credits will be determined on a sliding scale based on income, those with the lowest incomes will receive the largest tax credits, ensuring that the assistance is targeted to the people who need it most.

Every state, including New Jersey, will have a new health insurance marketplace (also called an exchange) that will make it easier for residents to gain health coverage. Though these new state marketplaces may look different, all of them will help individuals and families find coverage that meets their specific needs. The tax credits will help people who are looking for coverage in their state's marketplace better afford such coverage.

In order to maximize the number of people who receive the new tax credits, New Jersey and states across the country will need to develop robust outreach programs to educate consumers about this new help. The state marketplaces will need to offer insurance shoppers consumer-friendly, simple online enrollment processes, and they'll need to build complementary networks of assisters who can provide in-person, one-on-one help to anyone who needs it.

As this key part of the Affordable Care Act takes effect, many New Jerseyans will enjoy tax relief. They will also enjoy the peace of mind that comes with knowing that they and their family members have affordable health insurance—insurance that they can depend on even if they experience changes in income or become unemployed.

The following examples illustrate the amount of assistance that different kinds of people could receive. For more details on the how to calculate premium tax credits, see “How Much Will the Tax Credits Be Worth?” on page 12.

EXAMPLE *Jane Smith, age 45, no children, annual income of \$23,000 (about 200 percent of poverty): If the annual premium for the silver reference plan in the state marketplace in Jane’s zip code is \$5,000, Jane’s out-of-pocket contribution for premiums for the silver reference plan would be about \$1,450 (or about \$121 a month). The remainder of her premium for the silver reference plan would be covered in the form of a tax credit of \$3,550 (or that amount could be credited toward the premiums for a more or less expensive plan of her choice).*

EXAMPLE *The Johnsons, a family of four (two adults, two children under age 18), annual income of \$35,300 (about 150 percent of poverty): If the annual premium for the silver reference plan for family coverage in the state marketplace in the Johnsons’ zip code is \$12,500, the Johnsons’ out-of-pocket contribution for premiums for a silver reference plan would be about \$1,410 (or about \$118 a month). The remainder of their premium for the silver reference plan would be covered in the form of a tax credit of \$11,090 (or that amount could be credited toward the premiums for a more or less expensive plan of their choice).*

Note that consumers will be able to select any health insurance plan that is available through the state marketplace in their area, and the law guarantees that there will be a range of plans with different coverage terms and different prices. Each family can pick the plan that meets their needs and still receive the same substantial premium tax credit. How much a family will have to spend on premiums will vary depending on whether they choose a plan that is more or less expensive than the silver level reference plan.

Key Findings

Beginning in January 2014, new tax credits will be available that will significantly reduce the cost of private health insurance for individuals and families in New Jersey.

Numbers of People Eligible for the Premium Tax Credit

- Statewide, approximately 610,000 New Jerseyans will be eligible for these new premium tax credits in 2014 (see Table 1).
- People with annual incomes between 200 and 400 percent of poverty (between \$47,100 and \$94,200 for a family of four in 2013) will constitute about six in 10 (about 60 percent) of the New Jerseyans who will be eligible for premium tax credits (see Table 1).

Table 1.

New Jerseyans Eligible for Premium Tax Credits, by Income, 2014

Income as a Percent of Federal Poverty Level	Number in Income Group Eligible	Income Group As a Percent of Those Eligible
0-199%	244,890	40.1%
200-399%	365,560	59.9%
Total	610,460	100%

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

Help for Working Families

- The vast majority of New Jerseyans who will be eligible for premium tax credits—about 84 percent—will be in working families.
- Statewide, more than 511,000 people, the majority of New Jerseyans who will be eligible for premium tax credits, will be in families with a worker who is employed, either full- or part-time (see Table 2 on page 4).

Table 2.

**New Jerseyans Eligible for Premium Tax Credits,
By Employment Status, 2014**

Employment Status	Number in Employment Group Eligible	Employment Group As a Percent of Those Eligible
Employed*	511,390	83.8%
Not Employed*	99,070	16.2%
Total	610,460	100%

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

*The category “employed” includes those employed both full- and part-time. “Not employed” includes those out of the workforce and those not looking for work.

Help for All Ages

- Premium tax credits will be available to New Jerseyans in all age groups, from hardworking New Jerseyans who are supporting families to young people just starting their careers (see Table 3).
- Young adults are the likeliest age group to be eligible for premium tax credits, making up nearly 38 percent of all those who will be eligible (see Table 3).

Table 3.

New Jerseyans Eligible for Premium Tax Credits, by Age, 2014

Age Group	Number in Age Group Eligible	Age Group as a Percent of Those Eligible
Under 18	101,320	16.6%
18-34	229,970	37.7%
35-54	197,900	32.4%
55 and over	81,270	13.3%
Total	610,460	100%

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

Help for All Races and Ethnicities

- About 46 percent of the New Jerseyans who will be eligible for premium tax credits will be white, non-Hispanics (see Table 4).
- About 15 percent of the New Jerseyans who will be eligible will be black, non-Hispanics (see Table 4).
- About 29 percent of the New Jerseyans who will be eligible will be Hispanics (see Table 4).
- Approximately 10 percent of the New Jerseyans who will be eligible will identify themselves as being American Indian, Aleut or Eskimo, Asian or Pacific Islander, or a member of more than one group (see Table 4).

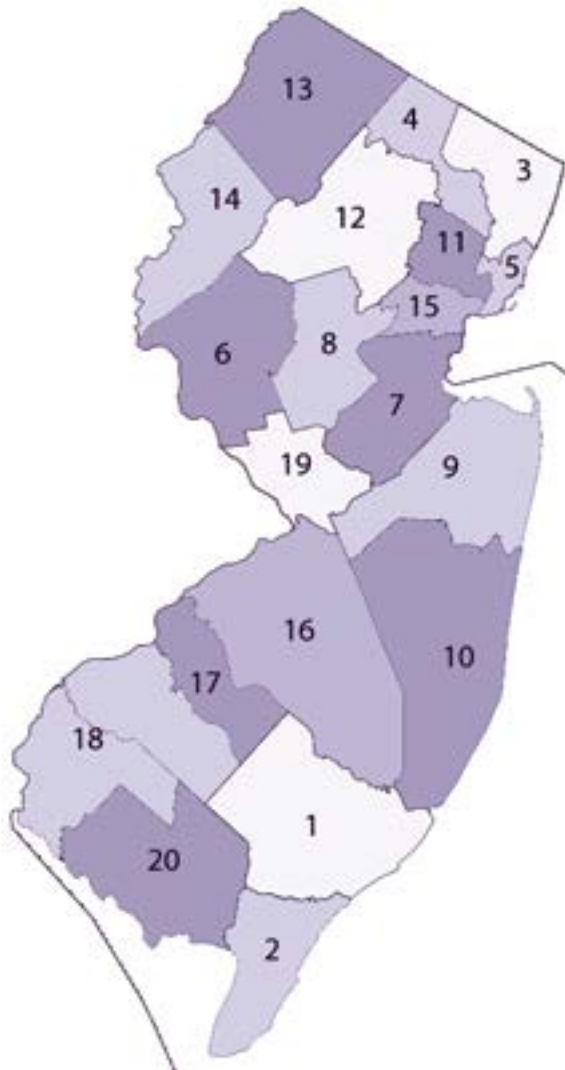
Table 4.

New Jerseyans Eligible for Premium Tax Credits, by Race/Ethnicity, 2014

Racial/Ethnic Group	Number in Racial/Ethnic Group Eligible	Racial/Ethnic Group As a Percent of Those Eligible
White, Non-Hispanic	279,940	45.9%
Black, Non-Hispanic	91,100	14.9%
Hispanic	177,680	29.1%
Other*	61,730	10.1%
Total	610,460	100%

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

* The category "other" includes those who identify themselves as American Indian, Aleut or Eskimo, Asian or Pacific Islander, or a member of more than one group.



New Jersey County Locations

1	Atlantic	11	Essex
2	Cape May	12	Morris
3	Bergen	13	Sussex
4	Passaic	14	Warren
5	Hudson	15	Union
6	Hunterdon	16	Burlington
7	Middlesex	17	Camden
8	Somerset	18	Gloucester, Salem
9	Monmouth	19	Mercer
10	Ocean	20	Cumberland

Table 5. New Jerseyans Eligible for Premium Tax Credits, Distribution by Income Level and County, 2014

County Name(s)	Income as a Percent of Federal Poverty Level				Total Number
	0-199%		200-399%		
	Number	Percent	Number	Percent	
1 Atlantic	9,550	43.8%	12,240	56.2%	21,790
2 Cape May	2,400	35.1%	4,440	64.9%	6,840
3 Bergen	20,200	37.5%	33,670	62.5%	53,870
4 Passaic	19,530	43.1%	25,830	56.9%	45,360
5 Hudson	27,330	45.8%	32,330	54.2%	59,660
6 Hunterdon	1,720	35.0%	3,190	65.0%	4,910
7 Middlesex	20,400	40.3%	30,190	59.7%	50,590
8 Somerset	5,690	37.6%	9,450	62.4%	15,140
9 Monmouth	14,270	38.5%	22,800	61.5%	37,080
10 Ocean	15,380	38.6%	24,420	61.4%	39,790
11 Essex	26,900	42.1%	36,930	57.9%	63,830
12 Morris	9,010	39.1%	14,040	60.9%	23,050
13 Sussex	3,430	34.5%	6,520	65.5%	9,950
14 Warren	2,390	36.5%	4,160	63.6%	6,540
15 Union	18,760	40.4%	27,670	59.6%	46,430
16 Burlington	9,150	34.9%	17,100	65.1%	26,250
17 Camden	15,160	38.3%	24,460	61.7%	39,620
18 Gloucester, Salem	8,510	36.3%	14,910	63.7%	23,430
19 Mercer	9,440	41.3%	13,390	58.7%	22,830
20 Cumberland	5,690	42.1%	7,830	57.9%	13,520
Total, all counties	244,890	40.1%	365,560	59.9%	610,460

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

**Table 6. New Jerseyans Eligible for Premium Tax Credits,
Distribution by Family Employment Status and County, 2014**

County Name(s)	Employed*		Not Employed*		Total Number
	Number	Percent	Number	Percent	
1 Atlantic	18,530	85.0%	3,270	15.0%	21,790
2 Cape May	5,900	86.2%	940	13.8%	6,840
3 Bergen	44,530	82.7%	9,340	17.3%	53,870
4 Passaic	37,960	83.7%	7,400	16.3%	45,360
5 Hudson	49,350	82.7%	10,310	17.3%	59,660
6 Hunterdon	4,100	83.7%	800	16.4%	4,910
7 Middlesex	41,740	82.5%	8,860	17.5%	50,590
8 Somerset	12,410	82.0%	2,730	18.0%	15,140
9 Monmouth	31,350	84.5%	5,730	15.5%	37,080
10 Ocean	33,310	83.7%	6,480	16.3%	39,790
11 Essex	52,810	82.7%	11,010	17.3%	63,830
12 Morris	19,350	83.9%	3,700	16.1%	23,050
13 Sussex	8,730	87.7%	1,220	12.3%	9,950
14 Warren	5,680	86.8%	860	13.2%	6,540
15 Union	39,090	84.2%	7,340	15.8%	46,430
16 Burlington	22,410	85.4%	3,840	14.6%	26,250
17 Camden	33,830	85.4%	5,790	14.6%	39,620
18 Gloucester, Salem	20,180	86.1%	3,250	13.9%	23,430
19 Mercer	18,700	81.9%	4,130	18.1%	22,830
20 Cumberland	11,450	84.7%	2,070	15.3%	13,520
Total, all counties	511,390	83.8%	99,070	16.2%	610,460

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

* The category “employed” includes those employed both full- and part-time. “Not employed” includes those out of the workforce and those not looking for work.

Table 7. New Jerseyans Eligible for Premium Tax Credits, Distribution by Age and County, 2014

County Name(s)	Under 18		Age 18-34		Age 35-54		Age 55+		Total Number
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	
1 Atlantic	3,430	15.7%	7,810	35.8%	7,540	34.6%	3,010	13.8%	21,790
2 Cape May	1,080	15.8%	2,220	32.5%	2,340	34.2%	1,200	17.6%	6,840
3 Bergen	8,100	15.0%	19,820	36.8%	16,870	31.3%	9,090	16.9%	53,870
4 Passaic	7,890	17.4%	17,540	38.7%	15,150	33.4%	4,790	10.6%	45,360
5 Hudson	7,960	13.3%	24,230	40.6%	20,290	34.0%	7,170	12.0%	59,660
6 Hunterdon	790	16.0%	1,680	34.3%	1,620	32.9%	830	16.8%	4,910
7 Middlesex	8,240	16.3%	20,220	40.0%	15,610	30.9%	6,530	12.9%	50,590
8 Somerset	2,610	17.3%	5,470	36.2%	4,760	31.5%	2,290	15.1%	15,140
9 Monmouth	6,210	16.7%	13,490	36.4%	11,890	32.1%	5,490	14.8%	37,080
10 Ocean	7,700	19.4%	14,420	36.2%	12,440	31.3%	5,230	13.1%	39,790
11 Essex	10,520	16.5%	24,240	38.0%	21,060	33.0%	8,010	12.5%	63,830
12 Morris	3,950	17.1%	8,020	34.8%	7,320	31.7%	3,770	16.3%	23,050
13 Sussex	1,650	16.6%	3,470	34.9%	3,460	34.8%	1,370	13.8%	9,950
14 Warren	1,180	18.0%	2,210	33.7%	2,260	34.6%	900	13.7%	6,540
15 Union	7,920	17.0%	16,780	36.1%	15,680	33.8%	6,050	13.0%	46,430
16 Burlington	4,570	17.4%	9,880	37.6%	8,340	31.8%	3,460	13.2%	26,250
17 Camden	6,990	17.6%	14,960	37.7%	12,920	32.6%	4,750	12.0%	39,620
18 Gloucester, Salem	4,220	18.0%	9,080	38.7%	7,300	31.1%	2,840	12.1%	23,430
19 Mercer	3,880	17.0%	9,270	40.6%	6,850	30.0%	2,830	12.4%	22,830
20 Cumberland	2,440	18.0%	5,180	38.3%	4,230	31.3%	1,670	12.4%	13,520
Total, all counties	101,320	16.6%	229,970	37.7%	197,900	32.4%	81,270	13.3%	610,460

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

Table 8. New Jerseyans Eligible for Premium Tax Credits, Distribution by Race/Ethnicity and County, 2014

County Name(s)	White, Non-Hispanic		Black, Non-Hispanic		Hispanic		Other*		Total
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number
1 Atlantic	11,320	51.9%	3,330	15.3%	5,020	23.0%	2,130	9.8%	21,790
2 Cape May	5,740	83.9%	260	3.8%	570	8.4%	270	3.9%	6,840
3 Bergen	24,140	44.8%	3,510	6.5%	15,840	29.4%	10,390	19.3%	53,870
4 Passaic	14,500	32.0%	5,190	11.4%	23,050	50.8%	2,630	5.8%	45,360
5 Hudson	13,000	21.8%	6,600	11.1%	32,650	54.7%	7,420	12.4%	59,660
6 Hunterdon	3,900	79.4%	190	3.8%	450	9.2%	370	7.6%	4,910
7 Middlesex	18,890	37.3%	5,050	10.0%	15,100	29.9%	11,550	22.8%	50,590
8 Somerset	7,010	46.3%	1,640	10.9%	4,060	26.8%	2,430	16.0%	15,140
9 Monmouth	24,130	65.1%	3,290	8.9%	6,340	17.1%	3,320	9.0%	37,080
10 Ocean	31,000	77.9%	1,620	4.1%	5,670	14.3%	1,500	3.8%	39,790
11 Essex	15,420	24.2%	25,610	40.1%	18,700	29.3%	4,090	6.4%	63,830
12 Morris	13,740	59.6%	880	3.8%	5,650	24.5%	2,780	12.1%	23,050
13 Sussex	8,030	80.7%	200	2.0%	1,280	12.9%	440	4.4%	9,950
14 Warren	5,140	78.5%	190	2.9%	900	13.8%	310	4.8%	6,540
15 Union	14,280	30.8%	10,310	22.2%	19,140	41.2%	2,700	5.8%	46,430
16 Burlington	16,330	62.2%	4,920	18.7%	2,770	10.6%	2,230	8.5%	26,250
17 Camden	20,550	51.9%	8,030	20.3%	8,160	20.6%	2,870	7.3%	39,620
18 Gloucester, Salem	17,230	73.6%	3,180	13.6%	1,880	8.0%	1,140	4.9%	23,430
19 Mercer	9,640	42.2%	4,970	21.8%	5,580	24.4%	2,640	11.6%	22,830
20 Cumberland	5,950	44.0%	2,180	16.1%	4,880	36.1%	510	3.8%	13,520
Total, all counties	279,940	45.9%	91,100	14.9%	177,680	29.1%	61,730	10.1%	610,460

Notes: Estimates prepared by The Lewin Group for Families USA (methodology available upon request). Data are for those with incomes below 400 percent of the federal poverty level. Numbers may not add due to rounding.

*The category "other" includes those who identify themselves as American Indian, Aleut or Eskimo, Asian or Pacific Islander, or as a member of more than one group.

Discussion

With the passage of the Affordable Care Act comes the promise of affordable health coverage for millions of Americans. In 2010-2011, more than 1.3 million New Jerseyans were uninsured.² The new premium tax credits, which are entirely financed by the federal government, will provide much-needed relief to hundreds of thousands of low- to moderate-income uninsured and underinsured New Jerseyans. This relief will ensure that they will be better able to purchase affordable private health insurance through the new health insurance marketplaces (see “The New Health Insurance Marketplaces” on page 14). Starting in October of this year, individuals and families can begin enrolling in the insurance marketplaces, and they will benefit from this tax relief when the new coverage begins in January 2014. More than 610,000 New Jerseyans will be eligible for premium tax credits in the first year that the state marketplace is operational. The size of the credit that individuals and families will be eligible to receive will depend on their income, and the lower a person’s income, the larger his or her tax credit will be. This will ensure that the assistance goes to those who need it the most.

Eligibility for Tax Credits

Generally, the tax credits will be available to uninsured individuals and families who have incomes between 138 and 400 percent of poverty (between \$15,860 and \$45,960 for an individual, and between \$32,500 and \$94,200 for a family of four in 2013). Some people with incomes below 138 percent of poverty who do not qualify for Medicaid (mainly immigrants who are legal residents but who have been in the United States for fewer than five years) will be eligible for tax credits as well. Workers who would have to pay more than 9.5 percent of their wages to participate in their employer’s plan, and workers whose employer plan pays less than 60 percent of the cost of covered benefits, will also be eligible for the tax credits to help purchase coverage in the state marketplaces.

What Will Happen When a Family Receives a Tax Credit?

When a person or family qualifies for a tax credit, the dollars from the credit will flow directly to the health plan in which the individual or family enrolls, offsetting the total cost of the family’s health insurance premiums for that plan.

The tax credits will be fully advanceable. This means that the tax credit will be available to pay the premium at the time the person enrolls in a plan. Thus, families will not need to wait until their taxes have been filed and processed in order to receive the credit and enroll in coverage, nor will they need to pay the full premium at the time of enrollment and then wait to be reimbursed.

Finally, the tax credit will be refundable, which means that families with very low incomes who do not owe taxes will be eligible for these tax credits to assist with the cost of premiums. However, the majority of these very low-income families will be eligible for Medicaid, and hence, ineligible for premium tax credits.

How Much Will the Tax Credits Be Worth?

As described earlier, the size of the tax credit that an individual or family will be eligible for will depend on the individual's or family's income. And how much coverage that credit will help buy will depend on the plan that the individual or family chooses. The new state marketplaces will offer a range of plans with four different coverage levels (from lowest to highest coverage level): bronze, silver, gold, and platinum. The calculations of the size of the tax credits will be linked to the second lowest-cost silver plan, also known as the "silver reference plan." Below, we describe how income and plan choice come together to determine what an individual or family will have to pay out of pocket.

- To determine the size of an individual's or family's tax credit, start with their income. The family's household income will be used to determine the maximum premium contribution the family must pay for a particular "reference plan," described below. This maximum amount—a maximum percentage of family income—will be based on a sliding scale, and those with the lowest incomes will pay the smallest proportion of their incomes on premiums.
- Next, identify the premiums for the second lowest-cost silver plan that is available to the individual or family in the area in which they live. The tax credit amount will be set so that the individual or family will not have to spend more than a specific percentage of their income on premiums for this plan. For example, a family of four with an income of \$47,100 a year would not have to pay more than 6.3 percent of their income toward premiums for a silver plan and would get a tax credit of \$9,530 (see Table 10). Therefore, they would not have to pay more than \$247 a month for the silver reference plan that covers their entire family.
- An individual or family will be free to pick any plan that is available through an exchange. However, the individual's or family's tax credit amount will be based on the premium for the silver reference plan. If a consumer selects a more expensive plan, he or she will pay the difference in price between this more expensive plan and the silver reference plan out of pocket. If a consumer selects a cheaper plan, he or she will still receive the tax credit amount based on the silver reference plan and thus will spend less out of pocket on the premiums for this cheaper plan.
- In addition to premium assistance, some families will be eligible for more help with copayments, deductibles, and other cost-sharing. However, this help is available only for those who choose a silver plan (see "Additional Help with Out-of-Pocket Health Care Costs" on page 15).

Table 9.

Examples of Premium Tax Credits for an Individual

Income		Premium Contribution as a Percent of Income	Example of Premium Tax Credit
Income as a Percent of Poverty	Annual Income		
138%	\$15,860	3.3%	\$4,480
150%	\$17,235	4.0%	\$4,310
200%	\$22,980	6.3%	\$3,550
250%	\$28,725	8.1%	\$2,690
300%	\$34,470	9.5%	\$1,730
400%	\$45,960	9.5%	\$630

Note: Based on an individual with premiums of \$5,000 and 2013 federal poverty levels.

Table 10.

Examples of Premium Tax Credits for a Family of Four

Income		Premium Contribution as a Percent of Income	Example of Premium Tax Credit
Income as a Percent of Poverty	Annual Income		
138%	\$32,500	3.3%	\$11,430
150%	\$35,325	4.0%	\$11,090
200%	\$47,100	6.3%	\$9,530
250%	\$58,875	8.1%	\$7,760
300%	\$70,650	9.5%	\$5,790
400%	\$94,200	9.5%	\$3,550

Note: Based on a family of four with premiums of \$12,500 and 2013 federal poverty levels.

The New Health Insurance Marketplaces

The Affordable Care Act requires every state to have a new regulated insurance marketplace, or exchange, where consumers and small businesses can purchase health insurance plans and apply for help with the cost of coverage. While every state must have a new marketplace, states are taking different approaches to getting the job done. Some states are setting up their own marketplaces, other states are partnering with the federal government to take on specific tasks and functions, and in some states, the federal government will establish the new marketplaces. Regardless of the approach, every marketplace will provide important new consumer protections.

When shopping in the new marketplaces, consumers and small businesses will know what they are getting for their money. All plans sold in the marketplaces must meet certain consumer protection and quality standards so that shoppers do not end up with surprising holes in their coverage. The new marketplaces will, among other things, certify that plans meet minimum requirements, such as having sufficient provider networks, implementing user-friendly quality reporting, and using marketing materials that are fair and accurate. Insurance companies will have to clearly explain what care is covered in every plan and at what cost. This information must be presented in a standardized, consumer-friendly format. This transparency will help people shop

for the best plan for the price, *and* it will promote competition among plans. Under the Affordable Care Act, insurers that sell plans in the new marketplaces—just like plans that are sold outside the exchanges—will not be allowed to deny coverage to people with pre-existing conditions or to charge exorbitant premiums, which will keep costs down for individuals and businesses.

The new marketplaces will be a one-stop shop where consumers can enroll in health coverage. These new marketplaces will help consumers apply for the new premium tax credits, and they will calculate the amount of the tax credit that consumers will receive. The marketplaces will also help lower-income consumers apply for Medicaid, the Children's Health Insurance Program (CHIP), and other public programs. All marketplaces will use one standardized application that is designed to help consumers find out which coverage and financial assistance options they are eligible for. They will also be required to have consumer-friendly websites, as well as toll-free telephone help lines. Perhaps most importantly, every marketplace will have a network of people who are trained and certified to conduct public education and outreach, and to provide in-person assistance with the application process for premium tax credits, Medicaid, and CHIP. These assisters will also help shoppers select the insurance option that best meets their needs.

Comprehensive Coverage under the Affordable Care Act

Under the Affordable Care Act, health insurance plans must meet a set of minimum requirements to ensure that consumers are getting the coverage they need. All plans that are sold directly to individuals and small businesses must cover a package of “essential health benefits.” The general categories of required services in this package include outpatient care, emergency care, hospitalization, prescription drugs, maternity and newborn care, mental health and substance abuse treatment, rehabilitative and habilitative care, laboratory services, preventive and wellness services, chronic disease management, and pediatric services (including dental and vision care). Together, the premium tax credits and these essential health benefit requirements will ensure that those who buy insurance in the new marketplaces will be getting *affordable*, comprehensive coverage.

Additional Help with Out-of-Pocket Health Care Costs

The Affordable Care Act has a number of provisions that are meant to protect individuals and families from high out-of-pocket spending. Annual and lifetime dollar caps on covered benefits will no longer be permitted. This means that consumers who pay for health coverage won't run out of coverage if they develop health problems that are costly to treat. The Affordable Care Act also established caps on the amount an individual or family has to spend on out-of-pocket costs (i.e., deductibles, copayments, and co-insurance) for health services that are part of the essential benefits packages. Furthermore, additional cost-sharing assistance will be available to individuals and families with incomes up to 250 percent of poverty (about \$28,725 for an individual or \$58,875 for a family of four in 2013). This cost-sharing assistance will increase the proportion of health care costs that an individual or family's plan pays for. It will be available to people who purchase silver plans in the new health insurance marketplaces.

Conclusion

Health reform will provide significant help to more than 610,000 New Jerseyans who will become eligible for premium tax credits in 2014. This assistance, along with several important new consumer protections, will allow individuals and families to purchase affordable health coverage even if they have pre-existing conditions, and even if they change jobs or experience a drop in income. This, in turn, means added economic security for New Jersey's working families. As we draw closer to October 2013, when open enrollment begins, it is critical that states and the federal government work closely together to educate the public about how the new tax credits will work and to make it as simple as possible to connect people to this significant new source of help with the cost of health insurance.

Assumptions about the Population Eligible for Premium Tax Credits

The premium tax credits are available only to uninsured people with family incomes at or above 100 percent of the federal poverty level. This is because those who crafted the health care law assumed that uninsured people with incomes below 100 percent of poverty would be enrolled in Medicaid. Medicaid provides out-of-pocket spending protections and additional benefits that are important for coverage to be meaningful for people with such low incomes. If New Jersey does not expand its Medicaid program, most uninsured people with family incomes below 100 percent of poverty will be left without any financial help or affordable insurance options. States that refuse to expand Medicaid, despite the generous federal support offered, will be condemning their most vulnerable residents to remain in the ranks of the uninsured.

For our analysis, we assumed that New Jersey will take advantage of the opportunity to expand Medicaid to all New Jerseyans with incomes up to 138 percent* of the federal poverty level (\$15,860 for an individual or \$32,500 for a family of four in 2013). Under the Affordable Care Act, New Jerseyans who are eligible for Medicaid (that is, all families with incomes at or below 138 percent of the federal poverty level) will not be eligible for premium tax credits.

Our analysis also takes into account one exception to the income eligibility rules for premium tax credits: The Affordable Care Act allows any legal U.S. residents who are not eligible for Medicaid due to the Medicaid program's five-year ban rule (even if they have income below 100 percent of poverty) to receive premium tax credits. Therefore, our estimates of the number of people who will be eligible for premium tax credits do include legal residents with incomes below 138 percent of poverty who would not be eligible for Medicaid under the five-year ban rule.

*Under the Affordable Care Act, the first 5 percent of income is not counted, or "disregarded." This means that the eligibility threshold for Medicaid is 138 percent of poverty, not 133 percent of poverty.

Endnotes

¹ Office of the Assistant Secretary of Planning and Evaluation, *2013 Federal Poverty Guidelines* (Washington: Department of Health and Human Services, January 24, 2013).

² Families USA analysis of U.S. Census Bureau's Current Population Survey, *Annual Social and Economic Supplement, 2013*, using the CPS Table Creator, available online at <http://www.census.gov/cps/data/cpstablecreator.html>.

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